in the lending rate for agriculture with a view to extending the full benefit of declining interest rates to agriculture sector, particularly to the small and marginal farmers. Consequent to the annoucement, all Public Sector Banks have reduced their lending rate to a single digit rate not more than 9% per annum and in some cases 8.5% per annum on crop loans up to a ceiling of Rs. 50,000/-. This single digit lending rate have benefited most of the crop loan account holders and covered almost all small and marginal farmers.

Weeding out of excess staff

1446. SHRI TARIQ ANWAR: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government is facing financial crunch to meet all its liabilities including payment of salaries and wages to its employees;

(b) if so, the details thereof;

(c) whether Government propose to weed out the excess staff in Government offices; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Adequate budgetary provision has been made to meet all liabilities including payment of salaries and wages to Central Government employees.

(c) and (d) It has been the continuous endeavour of the Government to optimize and rightsize its staff strength so as to contain non-plan non-developmental expenditure.

LIC's loan to Jet Airways for fleet expansion

1447. SHRI ABANI ROY : Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Life Insurance Corporation of India (LIC) has sanctioned and disbursed a huge loan of Rs. 800 crore to Jet Airways for its fleet expansion programme;

(b) if so, the details of loan alongwith interest rate charged by LIC;

(c) what are the details of collateral submitted by the company,

(d) whether it is also a fact that proper procedure was not followed by the LIC and the loan was given hurriedly by the LIC; and

(e) what are the details of refunds made so far by the company?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) LIC of India has informed that it has sanctioned Rs. 400 crores for the Pass Through Certificate (PTC) issued by the Special Purpose Vehicle (JUS Trust) having UTI Bank as Trustee to facilitate acquiring of new fleet by Jet Airways. Out of the above amount, Rs. 305.12 crores was drawn by the SPV. The subscription carries an interest rate of 11.70% p.a. (annualized) redeemable in 48 quarterly instalments starting 3 months from the date of allotment of respective PTC.

(c) The subscription has irrevocable and unconditional guarantee from SBI.

(d) The investment was approved by the investment Committee of the LIC, which is the competent body for such sanctions.

(e) As on 28.2.2005, the outstanding amount is Rs. 245.45 crores and there has been no default in the repayment so far.

Decline in Revenue Earnings due to VAT

1448. SHRI K. CHANDRAN PILLAI: Will the Minister of FINANCE be pleased to state:

(a) whether implementation of VAT will cause in decline in the revenue earnings of various State Governments;

(b) whether Government have evolved any mechanism to address the problem; and

(c) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) The proposed value added tax, to replace the existing sales tax, is a multi-point tax based on the destination principle *i.e.* the tax would accrue to the State in which the goods are consumed. As per international experience, VAT reduces evasion of tax. It has flexibility to generate large and buoyant revenues. Also, there will be no loss of revenue due to enlargement of tax base and lower tax rates could result in realization of the same revenue. However, the Central Government would provide 100% compensation to the States in the year